

Instructions for Short Form 540NR California Nonresident or Part-Year Resident Income Tax Return

These instructions are based on the Internal Revenue Code (IRC) as of **January 1, 2005**, and the California Revenue and Taxation Code (R&TC).

Before You Begin

You must complete your federal income tax return (Form 1040, Form 1040A, Form 1040EZ, Form 1040NR, or Form 1040NR-EZ) before you begin your Short Form 540NR. You will use information from your federal income tax return to complete your Short Form 540NR. Be sure to complete and mail Short Form 540NR by April 17, 2006. If you cannot mail your return by the due date, see page 6 for information.

To get forms and publications referred to in these instructions, go to our Website at www.ftb.ca.gov or see "Where To Get Income Tax Forms and Publications" on page 65.



e-file! No math, fast refund, accurate return, and more! See page 5 for details.

You may qualify for the federal earned income credit. See page 2 for more information. There is no comparable state credit.

Name and Address

If there is a label on the front of your booklet, attach the label to your completed return. Make sure that the information on your label is correct. Cross out any errors and print the correct information.

If there is no label on the front of your booklet, print your first name, middle initial, last name, and address in the spaces provided at the top of Short Form 540NR. See page 9, Helpful Hints, "Filing in your return."

If you lease a private mailbox (PMB) from a private business rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

Foreign Address

Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code.

Do not abbreviate the country name.

Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)

Enter your SSNs in the spaces provided. To protect your privacy, your SSN is not printed on your label. If you file a joint return, enter the SSNs in the same order as the names.

Note: If you do not have a social security number because you are a nonresident or a resident alien for federal tax purposes, and the IRS issued you an ITIN, enter the ITIN in the space provided for the SSN.

An ITIN is a tax processing number issued by the IRS to foreign nationals and others who have a federal tax filing requirement and do not qualify for a social security number. It is a nine-digit number that always starts with the number 9.

Prior Name

If you filed your 2004 tax return under a different name, write the last name **only** from the 2004 return.

Filing Status

Line 1 through line 5 – Filing Status

See page 19, Long Form 540NR instructions for the requirements for each of the filing statuses. Then fill in the circle on the Short Form 540NR that applies to you. **Note: If your filing status is married filing separately, you cannot file this form;** use the Long Form 540NR.

Nonresident Alien

A joint return may be filed if, in the case of a nonresident alien married to a United States citizen or resident, both spouses elect to treat the nonresident alien spouse as a resident.

Residency

Please complete the residency portion by filling in all circles that apply to you and provide the applicable information.

Domicile is the place where you voluntarily establish yourself and your family, not merely for a special or limited purpose, but with a present

intention of making it your true, fixed, permanent home and principal establishment. It is the place where, whenever you are absent or away, you intend to return. Get FTB Pub. 1031, *Guidelines for Determining Resident Status*, for more information. See "Where To Get Income Tax Forms and Publications" on page 65.

Exemptions

Caution: If you or your spouse are 65 or older, use the Long Form 540NR.

Line 6 – Can you be claimed as a dependent?

Completely fill in the circle on line 6 if your parent (or someone else) can claim you as a dependent on his or her tax return, even if he or she chooses not to claim you as a dependent.

Line 7 – Personal Exemptions

Did you fill in the circle on line 6?

No Follow the instructions on Short Form 540NR, line 7.

Yes Ignore the instructions on Short Form 540NR, line 7. Instead, enter the amount shown below for your filing status:

- Single, enter -0-;
- Head of household, enter -0-;
- Married filing jointly and both you and your spouse can be claimed as dependents, enter -0-; or
- Married filing jointly and only one spouse can be claimed as a dependent, enter 1.

Line 8 – Blind Exemptions

The first year you claim this exemption credit, you must attach a doctor's statement to the back of Short Form 540NR indicating that you or your spouse is visually impaired. You are visually impaired if you cannot see better than 20/200 while wearing glasses or contact lenses, or if your field of vision is not more than 20 degrees.

Caution: An individual who is someone else's dependent may not claim this credit.

Line 10 – Dependent Exemptions

To claim an exemption credit for each of your dependents, write each dependent's name and relationship to you in the space provided. The persons you list as dependents must be the same persons you listed as dependents on your federal income tax return. Count the number of dependents listed and enter the total in the box on line 10. Multiply the number you entered by the pre-printed dollar amount and enter the result.

Note: If you are claiming more than five dependents, use Long Form 540NR.

Line 11 – Total Exemptions

Add lines 7-10 and enter the total amount of all exemptions – personal, blind, and dependent.

Taxable Income

Refer to your completed federal income tax return to complete this section. If your total income is more than \$100,000, you cannot file this form, file the Long Form 540NR.

Line 12 – Total California Wages

Enter the total amount of your California wages from your Form(s) W-2 or CA Sch W-2. This amount is reported in box 16 of Form W-2 or CA Sch W-2.

Line 14 – California Adjustments To Income

California does not tax unemployment compensation or Paid Family Leave benefits. Enter the unemployment compensation or Paid Family Leave benefits from federal Form(s) 1099-G. This type of income is not taxed by California and should not be included in the total for line 14. Enter the amount of any unemployment compensation or Paid Family Leave benefits shown on your federal Form 1040EZ, line 3; Form 1040A, line 13; Form 1040, line 19; or Form 1040NR, line 20.

If you have interest income from U.S. Obligations, U.S. Treasury Bills, Notes, Bonds, or other sources that is taxable for federal purposes and exempt for state purposes, you cannot file this form. File the Long Form 540NR.

Military Pay Adjustment

Compensation for military service of a servicemember domiciled outside of California is exempt from California tax. It is excluded from adjusted gross income. If you are an active duty military member domiciled outside of California, you and your spouse may claim an adjustment for your active duty military pay.

To claim your adjustment, write "MPA" on the dotted line to the left of line 14. Add this amount to any unemployment compensation and/or paid Family Leave benefits and enter on line 14. You will also exclude this amount from adjusted gross income on line 21. Please attach a copy of your Form(s) W-2 or CA Sch W-2, reflecting your military compensation to your return.

Line 18 – California Standard Deduction

Find the standard deduction for your filing status in the left margin on Short Form 540NR. Did you fill in the circle on line 6? If yes, use the California Standard Deduction Worksheet for Dependents on page 20 of the Long Form 540NR instructions. If no, use the standard deduction amount for your filing status in the left margin.

California Taxable Income

e-file and you won't have to do the math. Go to our Website at www.ftb.ca.gov.

Line 20 – Tax on Total Taxable Income

Figure the tax on the amount on line 19 (see California tax table that begins on page 59). Be sure to use the correct filing status and taxable income amount.

Note: To automatically figure or to verify your tax, visit our Website at www.ftb.ca.gov.

Line 21 – California Adjusted Gross Income (If married filing jointly, each spouse reports income based on his or her residency status)

Full-year nonresident – Enter your California wages from Form(s) W-2, box 16 or CA Sch W-2, line C.

Part-year resident – Enter your:

- California wages from Form(s) W-2, box 16 or CA Sch W-2, line C;
- Non-California wages received while you were a California resident from Form(s) W-2, box 16 or CA Sch W-2, line C; and
- Interest income received while you were a California resident.

Full-year resident – Enter your:

- California and non-California wages from all your Form(s) W-2, box 16 or CA Sch W-2, line C; and
- All of your interest income.

Line 22a – CA Standard Deduction Percentage

Divide the California Adjusted Gross Income (line 21) by the total Adjusted Gross Income (line 17). **If more than 1, enter 1.0000.**

Line 22b – CA Prorated Standard Deduction

Multiply the standard deduction (line 18) by the CA Standard Deduction Percentage (line 22a).

Line 22c – CA Taxable Income

Subtract CA Prorated Standard Deduction (line 22b) from CA Adjusted Gross Income (line 21).

Line 23 – CA Tax Rate

Divide the tax on total taxable income (line 20) by taxable income (line 19).

Line 24 – CA Tax Before Exemption Credits

Multiply CA Taxable Income (line 22c) by the CA Tax Rate (line 23).

Line 25 – CA Exemption Credit Percentage

Divide the California Taxable Income (line 22c) by Total Taxable Income (line 19). This percentage does not apply to the Nonrefundable Renter's Credit, Other State Tax Credit, or credits that are conditional upon a transaction occurring wholly within California. **If more than 1, enter 1.0000.**

Line 26 – CA Prorated Exemption Credits

Multiply line 11 by line 25.

Line 27 – CA Regular Tax Before Credits

Subtract CA Prorated Exemption Credits (line 26) from CA Tax Before Exemption Credits (line 24).

Credits**Line 40 – Nonrefundable Renter's Credit**

If you paid rent on your principal California residence in 2005, you may be eligible for a credit to reduce your tax. See page 12 to find out if you qualify.

You may be eligible for the California refundable child and dependent care expenses credit. If you qualify for the credit, you must file the Long Form 540NR. See page 24, line 51 through line 54 for more information.

Payments**Line 47 – Income Tax Withheld**

Enter your total California income tax withheld from your Form(s) W-2, box 17 or CA Sch W-2, line C.

Overpaid Tax Or Tax Due**Line 58 – Overpaid Tax**

If line 47 is larger than line 46, subtract line 46 from line 47.

Line 59 – Tax Due

If line 47 is less than line 46, subtract line 47 from line 46.

Contributions

You may make contributions to the funds listed on Short Form 540NR, Side 2. For a description of the funds, see page 25.

Line 76 – Total Contributions

Add line 61 through line 75. Enter the result on line 76. If you did not make any contributions, do not enter an amount on line 76. If you show an amount on line 58, you must subtract the amount you contribute from the amount of overpaid tax. If you show an amount on line 59, you must add the amount you contribute to your tax due.

Note: If you have tax due and choose to make a voluntary contribution, it will increase the amount that you owe.

Refund or Amount You Owe**Line 77 – Refund or No Amount Due**

If you did not enter an amount on line 76, enter the amount from line 58. If the amount is less than \$1, attach a written request to your Short Form 540NR to receive the refund.

If you entered an amount on line 76, subtract that amount from the amount on line 58. If the result is zero or more, enter the amount on line 77. If the result is less than zero, your contributions are more than your overpaid tax available on line 58. In this case, do not enter an amount on line 77. Enter the result on line 78 and see the instructions for line 78.

Line 78 – Amount You Owe

If you entered an amount on line 76, add line 59 and line 76. Otherwise, enter the amount from line 59. This is the amount you owe with your Short Form 540NR. Make your check or money order for this amount, or see "Paying Your Taxes" on page 66.

To avoid a late filing penalty, file your Short Form 540NR by the due date even if you cannot pay the amount you owe. **Note:** All checks must be payable in U.S. dollars and drawn against a U.S. financial institution.

Direct Deposit (Refund Only)**Direct Deposit of Refund**

Direct Deposit is fast, safe, and convenient. To have your refund directly deposited into your bank account, fill in the account information on Short Form 540NR, Side 2. Please be sure to fill in all the appropriate boxes. **Do not** attach a voided check or deposit slip. See the illustration on page 27.

Sign Your Return

You must sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also.

Note: If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. If one spouse does not pay the tax, the other spouse may have to pay. See Innocent Spouse Relief on page 64.

If you pay a person to prepare your return, that person must sign on Side 2 and include his or her social security number, (or PTIN) or FEIN. A paid preparer must give you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records. For information about **Power of Attorney**, visit our Website at www.ftb.ca.gov.